

PROCEDURE 0510.20 Procurement Card Purchase Review and Reporting
Issued October 3, 2005

SUBJECT: Procurement Card Purchase Review and Reporting

APPLICATION: Executive Branch Departments and Sub-units.

PURPOSE: To prescribe the policy and procedures for reviewing and reporting on specific transactions.

CONTACT AGENCY: Department of Management and Budget (DMB) – Financial Services

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SUMMARY: This procedure defines the use of the service provider software tool, Compliance Monitoring, to assist department administrators in identifying purchases that may not be in compliance with administrative guide procedure 0510.17. Compliance Monitoring allows the administrator to be notified if a purchase appears to exceed the delegated spending authority. This procedure defines the required review and approval of procurement card transactions.

PROCEDURE:

Procurement cards provide State of Michigan personnel with the ability to effectively and efficiently make small, delegated purchases as defined in the administrative guide procedure 0510.01 Delegated Purchase Authority for Supplies, Materials, Equipment, Printing and Services.

Compliance Monitoring is a software tool provided by the service provider, JPMChase. This tool compares each transaction as it is posted. The software determines if the transaction appears to be in excess of the State of Michigan standards. Two Compliance Monitoring settings are established, they automate the tracking of the most common possible forms of misuse of the procurement card: multiple/split transactions to a single vendor and a single transaction in excess of the delegated spending limit.

Multiple transaction monitor will report multiple purchases made with the same merchant in a single day that, when combined, the total spend exceeds the delegated spending authority of \$2,500. State policy prohibits the dividing of purchases into separate orders with the intent to stay within delegated authority. (Guide 0510.01)

A split transaction is defined as the purchase of a single order where the cost of the order exceeds the delegated spending authority. With the procurement card program, this includes exceeding the card-spending limit if submitted as a single transaction. Splitting of a transaction is a merchant submitting multiple partial cost transactions for a single order where each transaction is below the delegated spending limits but when totaled equal the true cost of the order.

It is possible to use a vendor for multiple orders within a 24-hour period. However, these orders should represent different programs, needs or discrete separate activities. These separate purchases would not be considered split transactions. For example, buying supplies from the same vendor for separate jobs may not be a split transaction if they are different orders for different jobs.

The Compliance Monitoring single transaction setting is established to report when a transaction exceeds this delegated spending limit.

There are credit card accounts that routinely have transactions that exceed the Compliance Monitoring settings. These accounts require a written exception request to and written approval from the statewide procurement card program manager. The request must include:

- The cardholder name.
- Last 4 digits of the account number.
- The exception requested.
- Length of the request.
- Business need for the request.

I. DMB-Financial Services State Procurement Card Program Manager:

The state procurement card program manager responsibilities related to compliance monitoring include:

- Ensure Compliance Monitor parameters are set in the vendor's Internet software, PaymentNet, for each department.
- Analyze PaymentNet for Compliance Monitoring flags.
- Monitor department/agency procurement card administrators are following up with cardholder.
- Obtain the Compliance Monitoring transaction report for each department quarterly, for review purposes.
- Review quarterly Compliance Monitoring report sent by the department/agency administrator describing the action taken.
- Ensure accurate and timely payments of credit card bills.
- Reconcile monthly amounts due to monthly amounts paid to credit card company and resolve any differences.

II. Department/Agency Procurement Card Administrator:

Each department/agency will have a procurement card administrator responsible for the administration of all procurement card activity within their department/agency.

Responsibilities regarding compliance monitoring and transaction review and approval include:

- Utilize Compliance Monitor for multiple/split transactions and/or single transactions that appear to exceed the specific dollar amount set.
- Ensure a separation of duties between the roles of cardholder and approver of transaction reports. A cardholder may not be the reviewer and approver of a transaction detail or summary report for their transactions.
- Request explanation from cardholder supervisor for transactions flagged by Compliance Monitoring.
- Educate supervisor on appropriate use of the procurement card.

When a purchase exceeds the compliance monitoring settings in the program a red flag beside the transaction will appear when the transaction is posted. An email is sent to the department/agency procurement card administrator notifying them of the transaction and why the flag was set.

- Run the Compliance Monitoring report listed under TRANSACTIONS in PaymentNet to determine the cardholder who made the purchase.
- At the end of each Fiscal Year Quarter, produce a quarterly report (utilizing report format provided) on transactions identified by the Compliance Monitoring indicating the explanation and action steps taken to resolve. This report is sent to the Statewide Procurement Card Administrator 30 calendar days following the close of the fiscal quarter.

III. Department/Agency Cardholder:

The cardholder is a State of Michigan employee authorized to use a given procurement card. Cardholders should:

- Ensure all purchases comply with state policies and procedures, internal department/agency policies or procedures, and cardholder manuals.
- Purchase items within your assigned spending limit.
- Not allow a merchant to split an order to allow each transaction to be under your spending limit yet the actual cost of the item exceed your spending limit.
- Follow department/agency procedures for the reconciliation and approval of the procurement card purchases.
- Ensure each transaction on the transaction summary is accurate.

IV. Cardholder's Supervisor:

This employee is typically the direct supervisor or a designated member of supervision of the cardholder and is responsible for the work performed by the employee.

Cardholder's supervisor responsibilities related to Compliance Monitoring include:

- Ensure a separation of duties between the roles of cardholder and approver of transaction reports. A cardholder may not be the reviewer and approver of a transaction detail or summary report for their transactions.
- Respond to department administrator request for explanation of purchases that exceeded the Compliance Monitoring settings.
- Confirm that only appropriate State of Michigan purchases are made.
- Confirm receipts match transactions for merchants, dollars spent, and sales tax not charged.
- Approve transaction reports with full signature and date.